

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CEA-01 CIAE-00 COME-00 EB-08

FRB-01 INR-07 NSAE-00 SP-02 STR-04 TRSE-00 LAB-04

SIL-01 OMB-01 /047 W

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FM USMISSION EC BRUSSELS

TO SECSTATE WASHDC 3496

INFO ALL EC CAPITALS

UNCLAS EC BRUSSELS 03496

E.O. 11652:N/A

TAGS:EEC,EGEN

SUBJECT: PROPOSED CHANGES IN EC REGIONAL FUND

1.DURING MEETING SEVERAL DAYS AGO WITH VAN DER AUWERA,COMMISSION DIVISION CHIEF RESPONSIBLE FOR REGIONAL POLICY COORDINATION(REPLACING JAEGER),NEW PHILOSOPHY REGARDING REGIONAL FUND WAS DISCUSSED.AT THAT TIME,GIOLITTI HAD TOURED MAJORITY OF EC CAPITALS SOUNDING OUT REACTION TO HIS NEW PLANS.GIOLITTI ENVISIONS EXPANSION OF REGIONAL FUND TO ENCOMPASS SECTORAL AND REGIONAL PROBLEMS INDUCED BY INFLATION AND UNEMPLOYMENT,WHICH WERE NOT FACTORS WHEN REGIONAL FUND WAS ORIGINALLY CREATED.

2.VAN DER AUWERA SAID THAT TOTAL PLAN HAD YET TO BE PRESENTED TO COMMISSION. PROPOSED CHANGES IN FUND CENTER AROUND MORE LENIENT GUIDELINES FOR REGIONAL AID AND INCLUDE SUGGESTED MEANS OF BETTER COOPERATION BETWEEN VARIOUS COMMUNITY FINANCIAL INSTRUMENTS.EMPHASIS WILL CONTINUE TO BE ON SMALL TO MEDIUM BUSINESSES WITHIN FAIRLY WELL DEFINED REGIONS,THOUGH GIOLITTI WILL PROPOSE THAT INFRASTRUCTURE BE CONSIDERED ELIGIBLE FOR GRANTS.

3.SPECIFIC PROPOSALS INCLUDE: ASSUMPTION OF INTEREST

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PAYMENTS ON EUROPEAN INVESTMENT BANK LOANS; CREATION OF A FACILITY TO COVER EXCHANGE RISKS,WHICH HAVE BEEN INCREASINGLY DIFFICULT FOR SMALLER FIRMS TO ASSUME; AN INCREASE IN THE SYSTEM OF LENDING TO LOCAL DEVELOPMENT SOCIETIES; AND A REALIGNMENT OF THE PERCENTAGES THAT ARE ALLOCATED TO EACH COUNTRY,WITH A SMALL PERCENTAGE OF THE FUND BEING KEPT IN RESERVE FOR SPECIAL PROJECTS.

4.GIOLITTI'S PLANS HAVE MET WITH MIXED REACTIONS IN
THE CAPITALS.VAN DE AUWERA REFUSED TO NAME SPECIFIC
COUNTRIES BUT APPARENTLY FRANCE OBJECTS TO ANY
ALTERATION OF HER PERCENTAGE.COUNTRIES WITH RELATIVELY
STABLE CURRENCIES OBJECT TO THE EXCHANGE RISK PROPOSALS.
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Message Attributes

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